Supreme Court, U.S.
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No. 01-863

In The

Supreme Court of the United States

FIN CONTROL SYSTEMS PTY., LTD.,

Petitioner,

v.

SURFCO HAWAII,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION FOR RESPONDENT SURFCO HAWAII

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Question Presented For Review

1. Where patent claims cover only a combination of four elements, can one, relatively inexpensive, element of that combination be sold to legitimate owners of the patented combination without infringing the patent in view of the repair and reconstruction doctrine set forth in *Wilbur-Ellis Co. v Kuther*, 377 U.S. 422, 84 S. Ct. 1561, 141 USPQ 703 (1964) and *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 81 S. Ct. 599, 128 USPQ 354 (1961)?

List of Parties Under Rule 14.1(b)

The names of all parties in the court whose judgment is sought to be reviewed appear in the caption of this Brief in Opposition to Petition for Writ of Certiorari.

Corporate Disclosure Statement Under Rule 29.6

Respondent Surfco Hawaii ("Surfco") is not owned by a parent corporation, nor does any public company own at least 10% of Surfco.

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BRIEF IN OPPOSITION

Respondent, Surfco Hawaii ("Surfco"), respectfully submits this Brief in Opposition to the Petition for a Writ of Certiorari of petitioner Fin Control Systems Pty., Ltd. ("FCS").

The Federal Circuit Court of Appeals at 264 F.3d 1062 (2001) reversed a district court decision of summary judgment for FCS and found that Surfco was entitled to a summary judgment of non-infringement determination since Surfco's activities with respect to the sale of surfboard fins were permissible repair under *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 367, 81 S. Ct. 599, 128 USPQ 354, 367 (1961), and other precedent of this Court and the Federal Circuit. The Federal Circuit subsequently denied FCS's petition for rehearing, and suggestion for rehearing *en banc*

STATEMENT OF THE CASE

Respondent Surfco disagrees with the Statement of the Case set out by petitioner in that it is slanted and incomplete, and therefore Surfco hereby submits its Statement in Opposition.

FCS is the owner of U.S. patents 5,328,397, 5,464,359, and 5,672,081. All of those patents relate to and claim a surfboard with a removable fin system. Removable fin systems, such as shown in the Mizel prior art patent of record in the FCS patents, allow fins to be removed for ease of transport of the board (so that the fins aren't damaged, and do not damage other things that they might come in contact with), and to easily change the fins on the board.

All of the claims of the FCS patents call for at least four components, a surfboard, a plug, a fin, and screws; FCS has no patent on a fin itself. FCS had every opportunity to present claims to the fin *per se* before the Patent & Trademark Office, but chose not to do so, perhaps because it knew such claims would not be patentable over the prior art.

That is, all of the independent claims of the FCS patents call for [using the reference numerals in the patents, Figure 6 of which, as well as a schematic perspective view of an exemplary surfboard with three fins, are reproduced on the next page] four different elements, labeled (a)-(d) below:

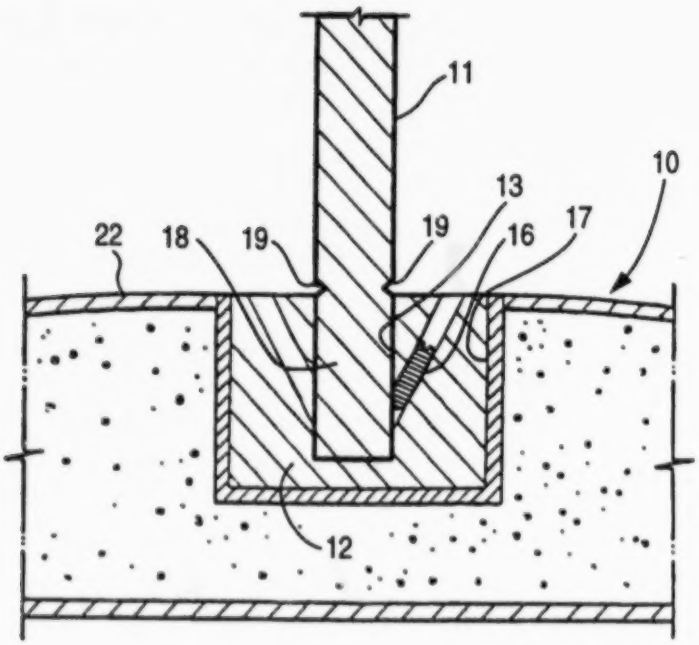
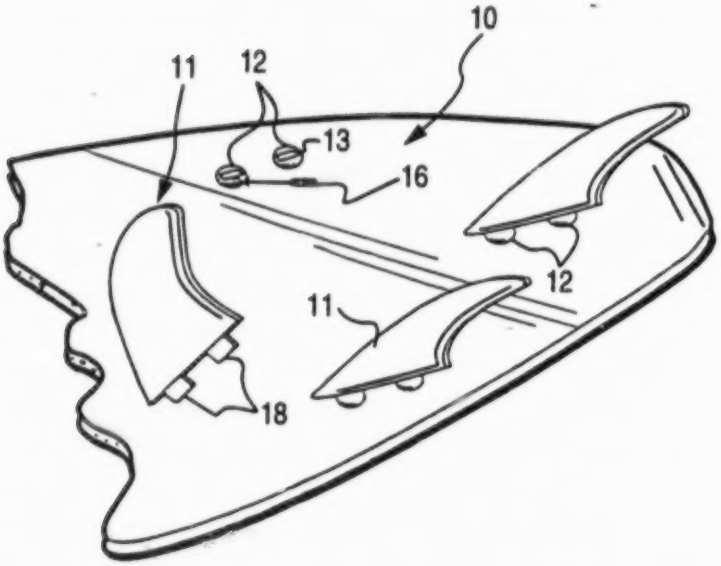


FIG. 6



(a) A surf craft/surfboard 10. (b) At least one fixing element (plug) 12 embedded in the surfboard 10 (adhesively secured within a hole 17). A fixing aperture (slot) 13 in the plug 12. (c) A fin 11 attached to the surfboard 10 and having an end surface (see the perspective drawing on the previous page) abutting against the surfboard body. At least one integrally formed fixing formation (tab) 18 on the fin 11 disposed within the slot 13. And (d) releasable engagement means (grub screws) 16 for locking the tab 18 within the aperture 13.

Surfco sells, in the aftermarket, fins with tabs that will fit in the slots 13 in the plugs 12 of surfboards 10 having the FCS system. The Surfco fins have a flexible material edge around the exposed (normally hard and sharp) part of the fin, rendering them much safer than conventional fins, and in some cases, for some surfers, improving performance.

Surfco sells its fins in the aftermarket under the trademark "PRO TECK." The sales are to surfboard owners who purchased the patented combination, without any restrictions, from FCS or its authorized agents. The surfboard owners might replace their surfboard fins for any reason (such as if the original fins have worn out or are broken or damaged, or to improve the safety and/or performance of the boards) with one or more Surfco fins. Surfco and FCS fins can be, and have been, used on the same surfboard

Surfco does not sell the fins at issue to surfboard manufacturers for use in place of FCS fins on new surfboards.

Surfco does not sell surfboards (10), fixing elements (plugs 12) for positioning within the surfboard so that the fins (11) engage the body of the surfboard, nor releasable engagement means (grub screws 16). Surfboards are much more expensive than fins. The entire conventional combination of six FCS plugs, screws, and three fins costs $22-$23 wholesale, while a surfboard costs about $350-$600.

FCS sells replacement fins (including single replacement fins) in the aftermarket, and also sells replacement grub screws in the aftermarket. FCS contemplates – and states in its patents, and advertising literature – that replacement fins will be used to replace damaged or worn fins on surfboards having the FCS system, or to change the performance characteristics of the surfboard whether or not the original fins have been worn out or broken.

SUMMARY OF ARGUMENT

This case has no general applicability, and for that reason alone there is no reason to grant *certiorari*. This Court clearly set forth the general law regarding the repair and reconstruction doctrine in *Wilbur-Ellis Co. v Kuther*, 377 U.S. 422, 424, 425, 84 S. Ct. 1561, 141 USPQ 703 (1964) and *Aro Manufacturing Co., Inc. v Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 367, 81 S. Ct. 599, 128 USPQ 354, 367 (1961), and it requires no amplification.

This Court also should not grant *certiorari* because there is no error in the Federal Circuit's decision. That decision was entirely proper under the precedents.

FCS's first question presented for review is slanted, and incorrect. There is no historical basis for FCS's

assertion that a part of a claimed combination must be broken or spent before there is permissible "repair" under the law, as made clear by both *Wilbur-Ellis* and *Aro*.

FCS's second question presented for review is completely inappropriate. *Dawson Chemical Co. v Rohm & Haas Co.*, 448 U. S. 176, 109 S. Ct. 2601 (1980) has no relationship to the repair and reconstruction doctrine, as made clear by *Dawson* itself. Further, there is not even a tangentially relevant factual or legal relationship between *Dawson* and this case.

The only legitimate question for review is: Where patent claims cover only a combination of four elements, can one relatively inexpensive element of that combination be sold to legitimate owners of the patented combination without infringing the patent, in view of the repair and reconstruction doctrine? The only correct answer to that question consistent with this Court's precedent is YES. Therefore, the opinion of the Federal Circuit is entirely correct, and there is no reason to grant *certiorari*.

ARGUMENT

I. THIS CASE HAS NO GENERAL APPLICABILITY, AND FOR THAT REASON ALONE THERE IS NO REASON TO GRANT *CERTIORARI*

This Court's recent history in deciding whether or not to grant *certiorari* in patent cases clearly indicates a consideration of the general applicability of the case to the real world, at least a perceived departure from precedent, and the significance of the legal issues involved to patent owners and those engaged in commerce. For example, the Federal Circuit *en banc* decisions dealt with in *Warner-Jenkinson*

Co. v Hilton Davis Chemical Co., 520 U.S. 17, 117 S. Ct. 1040, 137 L.Ed.2d 146, 41 USPQ2d 1865 (1997) and *Markman v Westview Instruments*, 517 U.S. 370, 118 S.Ct. 1384, 134 L.Ed.2d 577, 38 USPQ2d 1461 (1996) clearly had significant applicability to the real world, dealt with important legal issues, and involved at least a perceived departure from precedent. Just as clearly, none of those factors exist here.

This case merely involves a situation where the law, already clear from this Court's decisions in *Wilbur-Ellis* and *Aro*, was applied to a specific factual situation. The essence of the factual situation included the sale in the aftermarket, to legitimate unrestricted owners of the patented combination, one relatively inexpensive element of the four elements of the combination.

This case is not of general significance in importance or effect. The last repair and reconstruction case before this Court was *Wilbur-Ellis v Kuther*, more than 35 years ago. Despite a fair number of repair and reconstruction decisions by the Federal Circuit since then[1] – all (as here) merely applied clear legal precedent to specific factual situations. *Certiorari* has not been granted in any such case (either because the parties knew enough not to ask, or *certiorari* was denied). In fact, in the Federal Circuit decision most highlighted by FCS [*Hewlett-Packard Co. v Repeat-O-Type Stencil Mfg. Co.*, 123 F.3d 1445 (1997)] *certiorari* was denied[2]. There is no reason for that to change here.

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[1] See the incomplete listing in *Jazz Photo et al v ITC*, 264 F.3d 1094, 1103-5 (Fed Cir 2001).

[2] The petition for *certiorari* was filed Jan. 23, 1998 at 66 U.S.L.W. 3509 (Dkt. 97-1226) and denied March 23, 1998.

The Federal Circuit merely applied the long-existing precedent of this Court in *Wilbur-Ellis*, *Aro*, and *Mitchell v Hawley*, 83 U. S. (16 Wall) 544 (1872) in rendering its decision in this case. There was nothing complicated, unusual, or with far-flung consequences. According to the public record, not even one judge of the Federal Circuit considered this case worthy of a hearing *en banc*, nor did even one Federal Circuit judge consider it to comprise anything other than a straightforward application of existing law.

FCS's assertion that the Federal Circuit departed from long-established precedent by finding for the first time that an element of a patented combination must be worn or broken before there is permissible repair, is clearly contradicted by the Supreme Court cases cited above. The following quote from *Wilbur-Ellis* (377 U. S. 425) is dispositive: "The adaptation made in the six nonpatented elements improved the usefulness of those machines[3]. That does not, however, make the adaptation 'reconstruction' within the meaning of the cases." Further, *Aro* (365 U. S. 346, 81 S. Ct. 604) holds that "reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a whole new article,' after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented device. Mere replacement of individual unpatented parts [this does not say broken or spent individual parts], one at a time, whether of the same part repeatedly or different parts successively, is no more than the

[3] Just as the Surfco fins improved the usefulness of the patented surfboard combination by making it safer and, for some surfers in some circumstances, perform better.

lawful right of the owner to repair his property." (bracketed material and emphasis added).

Those seeking patents are not helpless to avoid the clear effect of this Court's precedent regarding the repair doctrine. All a patent owner need do is obtain a patent on the essential elements *per se* of the combination, and/or restrict the sale of the patented combination to overcome the general rule set forth in *Mitchell v Hawley, supra*[4]. FCS did neither here. For this reason alone *certiorari* should be denied.

II. THIS COURT ALSO SHOULD NOT GRANT *CERTIORARI* BECAUSE THERE IS NO ERROR IN THE FEDERAL CIRCUIT'S DECISION; THAT IS, THE DECISION WAS ENTIRELY PROPER UNDER THE PRECEDENTS

There was no dissent by a member of the Federal Circuit panel (which included the Chief Judge) in this case, and it was clear from the decision that the members of the panel considered this a very simple and straightforward case. Nor is there any indication in the public record that even one judge of the Federal Circuit considered the panel's decision in any way erroneous.

As also discussed above, this Court's decisions in *Aro* and *Wilbur-Ellis* are directly on point here, and unequivocally support the analysis in the paragraph bridging pages 6 and 7 [Appendix B-6, 7] of the Federal Circuit's decision. *Wilbur-Ellis* in particular makes it clear that as a

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[4] Namely that absent explicit conditions to the contrary the sale is absolute and the purchaser "may continue to use the implement or machine purchased until it is worn out, or he may repair it or improve upon it as he pleases" [83 U. S. 548] (emphasis added).

matter of law the term of art "repair" does not require that an individual component of a patented combination be "broken" or "unusable." Neither *Wilbur-Ellis*, nor the Federal Circuit decisions that FCS quotes in its petition, are specifically restricted to the facts therein. Rather, they all stand for the general proposition that there simply is no requirement – nor has there ever been any requirement[5] – in the law for a part of a patented combination to be broken or completely unusable before it can legitimately be replaced.

Since there is nothing legally incorrect or inequitable about the Federal Circuit's decision, for this reason too *certiorari* should be denied.

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[5] FCS apparently cannot see the consistency between *Lummus Industries, Inc. v D. M. & E. Corp.*, 862 F.2d 267 (Fed Cir 1988) and this case that was clearly recognized by Judge Newman when authoring the decision here. *Lummus* involved a situation where a claim had only three elements, a cutting assembly, a reel, and a roller. The cutting assembly and the reel were sold by the defendant (862 F.2d at 269). That is, two out of three, and by far the most expensive components of the claimed combination, were sold by the defendant. The defendant had failed to object to a number of jury instructions. One of the jury instructions – at 862 F.2d 270 – was merely reviewed for a determination as to whether there was "a fundamental legal error." The *Lummus* decision merely means that the Federal Circuit could not say, in the context of the *Lummus* situation, that there was an issue of "fundamental legal error" in that jury instruction. There was no finding that the instruction was correct generally.

III. FCS'S FIRST QUESTION PRESENTED FOR REVIEW IS SLANTED, AND INCORRECT. THERE IS NO HISTORICAL BASIS FOR FCS'S ASSERTION THAT A PART OF A CLAIMED COMBINATION MUST BE BROKEN OR SPENT BEFORE THERE IS PERMISSIBLE "REPAIR" UNDER THE LAW, AS MADE CLEAR BY BOTH *WILBUR-ELLIS* AND *ARO*.

The portions of *Wilbur-Ellis* and *Aro* quoted above, as well as those entire decisions, make it clear that there never was a legitimate holding that an element of a claimed combination must be broken or completely worn out before it can be replaced without an inappropriate reconstruction. There is nothing to the contrary in *Wilson v Simpson*, 50 U. S. (9 How.) 109 (1850)[6]. All *Wilson* did was to set forth situations where the repair doctrine clearly applied. It made no attempt to set forth the minimum boundaries of reconstruction (which was subsequently done in *Aro*, as quoted above). That is, in *Wilson* this Court simply distinguished the right of a purchaser of a patented planing machine to replace the machine's cutting-knives when they became dull or broken, from the patentee's sole right to make or renew the entire machine. This Court observed "what harm is done to the patentee in the use of his right of invention, when the repair and replacement of a partial injury are confined to the machine which the purchaser has bought?" *Id.* at 123. Thus *Wilson*, especially when read with the *Aro* and *Wilbur-Ellis* cases decided more than a century later, clearly supports the Federal Circuit's determination in this case.

This Court has never held that the repair doctrine can be invoked only when a part of the patented combination is

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[6] Not "1950" as stated in FCS's petition.

broken or completely spent – therefore, the whole premise behind FCS's first question is fallacious.

IV. FCS'S SECOND QUESTION PRESENTED FOR REVIEW IS COMPLETELY INAPPROPRIATE SINCE *DAWSON* HAS NO RELATIONSHIP TO THE REPAIR AND RECONSTRUCTION DOCTRINE, AND SINCE THERE IS NOT EVEN A TANGENTIALLY RELEVANT FACTUAL RELATIONSHIP BETWEEN *DAWSON* AND THIS CASE

FCS's reliance on *Dawson* is misplaced, as *Dawson* itself makes clear. At 448 U.S. 220, in *Dawson* this Court specifically distinguished between the 271(d) situation there and the repair/reconstruction doctrine here, as follows:

> "Perhaps the quintessential difference between the Aro decisions and the present case is the difference between the primary-use market for a chemical process and the replacement market out of which the Aro litigation arose. The repair-reconstruction distinction and its legal consequences are determinative in the latter context, but are not controlling here. Instead, the staple-nonstaple distinction, which Aro I found irrelevant to the characterization of replacements, supplies the controlling benchmark. This distinction ensures that the patentee's right to prevent others from contributorily infringing his patent affects only the market for the invention itself. Because of this significant difference in legal context, we believe our interpretation of 271 (d) does not conflict with these decisions."

All that *Dawson* says is that 35 USC §271 would preclude – with respect to FCS's patents – Surfco from selling its fins to new surfboard manufacturers who, in constructing the claimed surfboard combination, utilized the fins (with FCS plugs and screws, on new original equipment surfboards) as part of the patented combination. But that positively is irrelevant to this case because Surfco does not sell its fins to surfboard manufacturers, but only in the aftermarket. Therefore, FCS's multiple references to *Dawson, supra*, and other discussions of contributory infringement, are totally irrelevant to this case, and the passage of 35 USC §271(d) had absolutely no affect on the validity or vitality of the law of repair/reconstruction.

Further, there are numerous other legal and factual distinctions between *Dawson* and this repair/reconstruction case that make 35 U.S.C. 271(d) and *Dawson* irrelevant to any consideration here.

Dawson is irrelevant because it relates only to the relationship between patent misuse and contributory infringement (it has nothing to do with the repair and reconstruction doctrine). *Dawson* makes no statement, nor does it in any way imply, that the law of repair and reconstruction has changed after the passage of the "new" patent statute in 1952 [a comparison of the 1896 *Thomson-Houston Electric Co. v Kelsey Electric Railway Specialty Co.*, 75 F. 1005 (2nd Cir 1896) case with the 1964 *Wilbur-Ellis* case makes it clear that there was no change]. Also, *Dawson* does not in any way disturb *Wilbur-Ellis*, or *Aro* (as the quote above makes clear).

Additionally, *Dawson* has no relationship whatsoever to the present situation because in *Dawson* the use of a method with a particular chemical was involved. The only people who were licensed to use the patented method were

those who purchased the chemical necessary in its use. That is, the patent owner did not "sell" the right to use the method to others. Rather the patent owner only allowed the others to use the method if they purchased the chemical from the patent owner. To the contrary, here the purchasers of surfboards with the FCS system got the entire rights thereto, and it is undisputed that the owners of the surfboards with the FCS system purchased them from a manufacturer authorized by FCS.

FCS implies (and in fact argued to the Federal Circuit) that the *Leeds & Catlin Co. v Victor Talking Machine Co.*, 213 U.S. 325, 336 (1909) case is good law, having been recognized in *Dawson* as revived by the passage of the 1952 Patent Act. But *Leeds & Catlin* is not good law. This Court in *Dawson* did not say that 35 USC §271 revived *Leeds & Catlin*, only that one person testifying before Congress was of the opinion that it would. Further, the 1909 *Leeds & Catlin* decision is irrelevant here when compared to the 1964 *Wilbur-Ellis* case. Leeds & Catlin's statement (213 U.S. at 336) that "the license granted to a purchaser of a patented combination is [only] to preserve its fitness for use" (bracketed material added) is specifically contradicted by *Wilbur-Ellis* (377 U.S. at 425). In *Wilbur-Ellis*, changing the size of components of the patented machine did not only preserve its fitness for use, but also improved the machine by allowing it to perform new functions (recognized as appropriate since at least the time of *Mitchell v Hawley*).

Therefore, the *Dawson* case is irrelevant and provides no basis for a grant of *certiorari* here.

V. CONCLUSION

The only legitimate question for review is the actual situation here (which is all that was decided by the Federal Circuit), namely:

> Where patent claims cover only a combination of four elements, can one relatively inexpensive element of that combination be sold to legitimate owners of the patented combination without infringing the patent, in view of the repair and reconstruction doctrine?

The only proper answer to that question consistent with this Court's precedent is YES. Therefore, the opinion of the Federal Circuit is entirely correct. If FCS wanted to preclude those in commerce from improving upon its fins to make them safer, FCS should have gotten a patent on the fins *per se*. Since it did not, it has no legitimate complaint now.

Early denial of the Petition for Writ of Certiorari is respectfully requested.

Respectfully submitted,

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